

HUNGER IN THE HEARTLAND
A NORTH DAKOTA WORLD FOOD DAY EVENT
Grand Forks, North Dakota
October 13, 2004

FOOD STAMP PROGRAM NOTES

A Brief History

The Food Stamp Program is a nationwide program operated by the United States Department of Agriculture to promote the general welfare and safeguard the health and well-being of the nation's population by raising the levels of nutrition among low-income households. When begun 35 years ago, the Food Stamp Program replaced surplus commodities distribution and shifted administrative responsibility to the states. The goal was to afford participating households more and better choices for nutritional needs.

The Food Stamp Program started in North Dakota in 1970 in many counties and was available in every county by July 1, 1974. County social service offices administer the program under the direction and supervision of the North Dakota Department of Human Services. The federal "Food Stamp Act of 1977" gave us the form of the program that exists today. The federal government pays for all of the cost of the benefits and for half of the cost of administering the program in North Dakota.

Food Stamp benefits were initially distributed in the form of "food coupons," essentially a form of paper money that could be used only to purchase food. The food coupons were distributed to eligible individuals, redeemed at participating grocers, redeemed by grocers at their banks, redeemed by banks at federal reserve banks, and then canceled and destroyed.

The early 1990s saw the beginning of a nationwide effort to convert issuance of paper Food Stamp coupons to electronic issuance of benefits. The Electronic Benefits Transfer, or "EBT," concept was intended to reduce illegal trafficking in paper coupons and avoid the need to manage and account for the paper coupons. In February 1996, the states of North Dakota and South Dakota joined together to form the Dakota Electronic Benefits Transfer (EBT) Program, the first joint state EBT program in the nation. The Dakota EBT card became North Dakota's means of distributing Food Stamp benefits throughout the state on March 1, 1997. The EBT cards issued in any state can now be used in any other state. Food Stamp paper coupons are no longer used anywhere in the nation.

Program Benefits

The Food Stamp Program is intended to supplement a family's nutritional needs, not meet all of those needs. The monthly benefit is based on a "thrifty food plan," with maximums based on family size. The actual benefit amount is determined by subtracting 30% of net income from the thrifty food plan amount.

Thrifty Food Plan Amount

<u>H.H. Size</u>	<u>Amount</u>	<u>H.H. Size</u>	<u>Amount</u>
1	\$141	5	\$560
2	259	6	672
3	371	7	743
4	471	8	849
		Each Additional Member	+106

The North Dakota Food Stamp Program today serves approximately 18,200 households each month. The total value of those benefits has been increasing slightly, and stood at \$3,369,245 for August 2004. Over 41,000 people in North Dakota receive Food Stamp benefits. About 45% of Food Stamp recipients are children. About 45% of Food Stamp families have a member who is working.

INCOME CONSIDERATIONS

Eligibility for the Food Stamp Program is based primarily on income. Income earned by anyone in the family who is not age 18 or younger and going to school, with few exceptions, is counted. Self-employment income is counted. Unearned income is counted. Unearned income includes any source of income that is not earned income. Gross monthly income is arrived at by adding the total countable gross monthly earned income of all household members to the total countable monthly unearned income of all household members.

Eligible families must meet income guidelines. Most North Dakota Food Stamp families are now subject only to a "net income test." That is, a calculation that starts with gross income, and subtracts 20% of earned income, a standard amount based on family size, and amounts paid out for medical care, child care, child support, and shelter costs.

Families must be within the net income maximum to be eligible for any benefits. The net income maximum is equal to 100% of the poverty line based on family size. Currently, the maximums are:

<u>HH Size</u>	<u>Maximum Income</u>	<u>HH Size</u>	<u>Maximum Income</u>
1	\$ 749	9	\$2,842
2	1,010	10	3,104
3	1,272	11	3,366
4	1,534	12	3,628
5	1,795	13	3,890
6	2,057	14	4,152
7	2,319	15	4,414
8	2,580	Each additional member	+ 262

Because the actual benefit is determined by subtracting 30% of the family's net income from the thrifty food plan amount, income under the net income limit does not automatically trigger benefits. The highest income that allows any benefit, by family size can be determined by dividing the thrifty food plan by .3. For instance, the thrifty food plan for a single person is \$141. \$141 divided by .3 equals \$470. A single person with net income of \$470 or more would receive no benefit. However, the maximum net income produced by this calculation exceeds 100% of the poverty line for family sizes of four or more persons. Consequently, any family of four or more persons with a net income at or below 100% of the poverty line will be eligible to receive some food stamp benefits.

<u>HH Size</u>	<u>Maximum Net Income To Receive Benefits</u>
1	469
2	863
3	1,236
4 or more	100% of poverty line

Individuals may be disqualified from receiving Food Stamp benefits for several reasons. They may have committed an "intentional program violation," that is, they may have intentionally misstated something relevant to eligibility to get Food Stamp benefits.

They may have illegally exchanged Food Stamp benefits for cash, a controlled substance, a firearm, ammunition, or explosives. They may have made a false statement about their residence to gain Food Stamps. They may be a fleeing felon or parole or probation violator. They may have been convicted of a felony involving the possession, use, or distribution of a controlled substance.

Families that include an individual who is disqualified for Food Stamps must meet a “gross income test.” If they pass that test, the calculations to determine net income are made, and they must then also meet the net income test. The gross income maximum is equal to 130% of the poverty line based on family size. Currently, the gross income maximums are:

<u>HH Size</u>	<u>Maximum Income</u>	<u>HH Size</u>	<u>Maximum Income</u>
1	\$ 973	9	\$ 3,695
2	1,313	10	4,036
3	1,654	11	4,377
4	1,994	12	4,718
5	2,334	13	5,059
6	2,674	14	5,400
7	3,014	15	5,741
8	3,354	Each additional member	+ 341

Many factors are considered in determining how much of the gross income will count and what the actual benefit amount will be. However, we have long offered a “Food Stamp Calculator” to anyone interested in seeing if they may qualify for program benefits. This one-page document is attached to the materials.

Recent Program Changes

Federal laws govern the Food Stamp Program. Initially states had little choice in the way the program could be administered. However, federal law changes have allowed states some choices. North Dakota took advantage of these. For example:

1. The Personal Responsibility and Work Opportunities Reconciliation Act, enacted in 1996, provided that anyone who received a benefit provided under the Temporary Assistance for Needy Families program could become “categorically

eligible” for Food Stamps. Families that are “categorically” eligible are subject only to the net income test. On November 1, 2000, we began providing “information and referral” services to all Food Stamp applicants, rendering them categorically eligible, and subject only to the net income test, unless the family included someone who was disqualified from Food Stamps.

2. For many years federal law disqualified any family that had a vehicle with even a very limited value. By 2000, the vehicle value that would disqualify a family had risen to only \$4,650. That was the case even if the family had little or no equity in the vehicle, and was very unfair to North Dakota families, who have little access to public transportation, and need a vehicle for basic transportation. Categorically eligible families are not subject to any Food Stamp asset limit. This policy change put emphasis on income – the ability of a family to readily purchase food, as the primary factor in determining whether a family qualifies.
3. The 2002 Farm Bill allowed us to stop counting financial aid and educational income. It also allowed us to set standard utility cost allowances. This limited the paperwork burden on families.
4. Based on final regulations issued in 2002 to implement aspects of the Personal Responsibility and Work Opportunities Reconciliation Act, we changed several reporting requirements, further limiting the paperwork burden on families.
5. In November of 2002, the application for assistance was placed on the department’s website. In December 2003, the certification manual was placed on the department’s website and is available to anyone who is interested in reviewing Food Stamp policy. The department’s website is accessible through the North Dakota website, “discovernd.com,” by clicking on “government,” “agencies,” and “Human Services.” Or go directly to the department’s website at “state.nd.us/human services.” Once on the department’s website, click “financial help,” “publications/research,” and “policy manuals.” Once on the Policy Manuals homepage, click “financial help,” and “Food Stamps.” Or, to check out an electronic version of the “Food Stamp Calculator” on the department’s website, click “financial help,” “Food Stamps,” and “Food Stamps Calculator.” The website extension for all of these is:
www.state.nd.us/humanservices/services/financialhelp/foodstamps.html
6. Through a cooperative effort with the NDSU Extension Service, nutrition education materials are provided to all Food Stamp households each month. Households are shown a short video on the importance of a well-balanced and nutritious diet. They can also attend classes on a variety of subjects relating to nutrition including budgeting, food preparation and storage, getting the most out of their Food Stamp benefits when shopping, and so on.

Food Stamp Participation Rates

The Food Stamp Program has for some time sought to determine how many eligible families actually participate in the program. This is described in a “participation rate,” reflecting the percentage of likely eligible families who actually participate. In recent years, North Dakota’s participation rate has been typical of the region and the entire nation - about 64%. Starting in 2002, federal officials revised the way the participation rate is calculated and concluded that the participation rate is actually about 54% nationwide. This change reflected both a change in the process (from reviewing participation in only a single month each year to calculating an annual average) and recognition that federal law changes had the effect of making more families eligible.

If the correct participation rate was 64%, about 23,000 individuals were eligible for Food Stamps, but not receiving them. If the correct number is 54%, about 35,000 eligible North Dakotans are going without Food Stamps.

Outreach

Whether the correct number is 54% or 64%, it makes little sense to leave 35% to 45% of eligible families unserved.

Knowing that there are as many as 35,000 North Dakotans who are eligible for Food Stamps, but not receiving benefits, we seek to increase participation in the Food Stamp Program. The number of North Dakota Food Stamp participants has increased from a low of 32,874 five years ago to 41,574 in August, but there is more to do. Individuals and families who are eligible should be able to participate in the program.

For the ‘05-’07 biennium, we project that an average Food Stamp household will receive monthly benefits of \$202.07, and that annual Food Stamp benefits for all households will be about \$44.8 million. All of this must be spent in grocery stores. Why is increasing this amount important?

We recently consulted with the NDSU Department of Agribusiness and Applied Economics and learned that for every Food Stamp dollar spent, another \$1.09 in secondary economic effects arise from the multiplier process. Thus, each Food Stamp dollar spent in North Dakota not only feeds a hungry family; it is worth \$2.09 to the state’s economy. It is to the advantage of the state and these families that all eligible families get Food Stamp benefits.

NDSU calculated that a 1% increase in the participation rate would produce \$935,000 in positive economic benefits. This includes approximately \$445,000 in additional benefits and \$487,000 in “secondary” economic benefits. The estimated secondary effect includes \$181,000 in additional income to North Dakota households and \$122,000 in additional retail sales, as well as \$184,000 distributed widely among the state’s other

economic sectors. These levels of additional sales and economic activity would support an estimated six full-time equivalent jobs within the North Dakota economy, mostly in the retail sector.

In addition to the policy changes I already referred to, some of our efforts to increase access and remove barriers include:

- ❖ Having state and county staff provide program informational materials to grass-root community organizations.
- ❖ In 2005, working with Kleimann Communication Group to revise the application form. Over the past two years, Kleiman Communication Group has assisted 15 states to improve their application process. Our current application for assistance is 16 pages long and can be intimidating.
- ❖ Placing more emphasis on access and removing barriers in the management evaluation review process. Management evaluation staff contact a variety of agencies/organizations during the process of reviewing county administration of the program to learn if they are aware of any access or barrier issues. Management evaluation staff also provide program informational material when making these contacts.

We are interested in hearing suggestions and learning of other successful outreach approaches to improve this effort.

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